



Umkhandlu wakwa - **NONGOMA** - Local Municipality

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## **FIXED ASSET POLICY**

**2020-21**

Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

### Approval of Policy

This policy has been considered and approved by the Council of Nongoma Municipality as follows:

Resolution No:.....

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## **PART 1 - DEFINITION OF A FIXED ASSET**

A fixed asset is an asset, either movable or immovable, owned by or under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year, which cost or fair value can be measured reliably.

Fixed assets will include Property, Plant and Equipment (as defined in GRAP 17), Intangible Assets (as defined in GRAP 31), Investment Property (as defined in GRAP 16), Heritage Assets (as defined in GRAP 103), as well as Assets held under a finance lease, in accordance with the principles contained in GRAP 13.

To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

## **OBJECTIVE OF THE ASSET MANAGEMENT POLICY**

The Asset Management Policy provides direction for the management, accounting and control of Fixed Assets owned or controlled by the Municipality, in accordance with applicable legislation and best practices developed.

## **PART 2 – ROLE OF MUNICIPAL MANAGER**

As accounting officer of the municipality, the Municipal Manager shall be the principal custodian of all the municipality's fixed assets and shall be responsible for ensuring that the fixed asset management policy is scrupulously applied and adhered to.

## **PART 3 – ROLE OF CHIEF FINANCIAL OFFICER**

The Chief Financial Officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerized fixed asset register is maintained.

No amendments, deletions or additions to the fixed asset register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.

## **PART 4 - FORMAT OF FIXED ASSET REGISTER**

The fixed asset register shall be maintained in the format determined by the Chief Financial Officer, which format shall comply with the requirements of generally recognized accounting practice (GRAP) and any other accounting requirements that may be prescribed.

The fixed asset register shall reflect the following information:

- Detailed asset description;
- The date on which the asset was acquired or brought into use;
- The cost or purchase price of the asset;
- The original estimated useful life of the asset;
- The estimated residual value of the asset;
- The remaining useful life of the asset;
- A barcode, unique identifier, serial number (where applicable), erf number (where applicable) or other number to distinguish it from other assets;
- The location of the asset;
- The department(s) or vote(s) within which the assets will be used;

- The title deed number where applicable;
- Information on the disposal of assets which include the date, proceeds and depreciation up to the date of the disposal;
- The original cost, the revalued amount determined in compliance with 26 below, or a reasonable value if no costs are available;
- The accumulated depreciation of the asset;
- The depreciation of the asset;
- Impairment loss recognized or reversed;
- The condition of the asset;
- The person responsible for the safeguarding and maintaining the asset;
- The carrying value of the asset at the beginning and end of the reporting period;
- The method and rate of depreciation;
- Information relating to a change in accounting estimates as a result of the change in useful life or residual value – date reassessed etc.; and
- The funding source of the asset.

All heads of department under whose control any fixed asset falls shall promptly provide the Chief Financial Officer in writing with any information required to compile the fixed asset register and shall promptly advise the Chief Financial Officer in writing of any material change which may occur in respect of such information.

A fixed asset shall be capitalized, that is, recorded in the fixed assets register, as soon as it is acquired and available for use. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, thereafter it shall be appropriately capitalized as a fixed asset.

A fixed asset shall remain in the fixed assets register for as long as it is in physical existence and in usable condition. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing-off such an asset.

## **PART 5 - CLASSIFICATION OF FIXED ASSETS**

In compliance with the requirements of the National Treasury, the Chief Financial Officer shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the Chief Financial Officer with such information or assistance as is required to compile a proper classification:

### **PROPERTY, PLANT AND EQUIPMENT**

- Community Assets
- Computer Equipment
- Electrical Infrastructure
- Furniture and Office Equipment
- Land (excluding those held as Investment Property)
- Machinery and Equipment
- Other Assets
- Roads Infrastructure
- Solid Waste Infrastructure
- Storm Water Infrastructure
- Transport Assets
- Water Supply Infrastructure.

## **HERITAGE ASSETS**

- culturally significant resources

## **INTANGIBLE ASSETS**

- Intangible resources

## **INVESTMENT PROPERTY**

- Investment assets (resources held for capital or operational gain)

The Chief Financial Officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 33 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

### Procedures and Rules

- The finance department shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.
- The finance department shall inform Senior Managers of the classification requirements.
- Senior Managers shall ensure that all fixed assets under their control are classified correctly.

## **PART 6 - INVESTMENT PROPERTY**

Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

Investment property shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

Investment property shall be recorded in the fixed assets register in the same manner as other fixed assets, but a separate register shall be maintained for this purpose.

Investment property shall not be depreciated, but shall be valued regularly, not less than every five years, on balance sheet date to determine their fair (market) value. Investment property shall be recorded in the statement of position at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

### Procedures and Rules

- The Finance department shall ensure that investment assets are recorded in an Investment Property register.
- The Finance department shall ensure that an appropriately qualified valuator undertake such valuations on an annual basis.
- The Finance department shall ensure the recognition and measurement of Investment Property in terms of GRAP 16.

## **PART 7 - FIXED ASSETS TREATED AS INVENTORY**

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included in either property, plant and equipment or investment property in the municipality's statement of position.

Such inventories shall, however, be recorded in the fixed assets register in the same manner as other fixed assets, but a separate register shall be maintained for this purpose.

## **PART 8 - RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET REGISTER**

When the municipality does not recognize a heritage asset, or a class of heritage assets as a result of reliable measurement not being possible on initial recognition, the municipality shall disclose the following for each heritage asset or class of heritage assets:

- a. a description of the heritage asset or class of heritage assets;
- b. the reason why the heritage asset or class of heritage assets could not be measured reliably; and
- c. on disposal of the heritage asset or class of heritage assets, the compensation received and the amount recognised in the statement of financial performance.

## **PART 9 - RECOGNITION OF DONATED ASSETS**

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its fair value, as determined by the Chief Financial Officer.

## **PART 10 – LEASED ASSETS**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorized into finance and operating leases:

- A **Finance Lease** is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as an asset.
- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

### **Procedures and Rules**

- Senior Managers shall ensure that all leased assets under their control are correctly accounted for and recognised as assets.
- The CFO must keep a lease register with all the information that is necessary for reporting purposes, for example, opening balance, acquisitions, disposals, transfers, depreciation, accumulated depreciation, etc.
- Senior Managers shall keep a timesheet system for internal staff to capture professional time spent on infrastructure projects. The time shall be priced at recognised professional fee scales and should be included in the capitalisation cost of the asset.



## **PART 11 - SAFEKEEPING OF ASSETS**

Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the Chief Financial Officer to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

Section 78(e) of the Municipal Financial Management Act (Act no. 56 of 2003) determines each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary. A senior manager or such official must perform the functions subject to the directions of the accounting officer of the municipality.

## **PART 12 - IDENTIFICATION OF FIXED ASSETS**

The Chief Financial Officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

The identification system shall be determined by the Chief Financial Officer, acting in consultation with the Municipal Manager and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor- General or National Treasury, and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

### **Procedures and Rules**

- The Finance department shall develop and implement an asset identification system, while acting in consultation with Senior Managers.
- Senior Managers shall ensure that all the assets under their control are correctly identified.
- As far as practicable, all movable assets must be bar-coded or uniquely marked.
- Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.

## **PART 13 - PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS**

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the Chief Financial Officer, to the internal auditor, and – in cases of suspected theft or malicious damage – also to the South African Police Service.

## **PART 14 - CAPITALISATION CRITERIA: MATERIAL VALUE**

The council of the municipality may from time to time determine, on the recommendation of the Municipal Manager, the materiality benchmark for an item to be recognised as a fixed asset. This shall depend on the municipality's value of assets, as outlined in the statement of financial position. If the item does not meet the definition of an asset, it shall be treated as an ordinary operating expense – unless the Municipal Manager can prove to council that such item does meet the definition of an asset.

The Chief Financial Officer shall, however, ensure that any item that meets the definition of an asset and has an estimated useful life of more than one year, shall be recorded on the Asset Register. The CFO shall moreover ensure that the existence of items recorded on such register is verified at least twice in every financial year, and any amendments which are made shall be retained for audit purposes.

## **PART 15 - CAPITALISATION CRITERIA: INTANGIBLE ITEMS**

An Intangible item shall be recognised as a fixed asset, acting in strict compliance with the criteria set out in GRAP 31 and the Chief Financial Officer may decide that specific items be recognised as Property, Plant and Equipment where such seemingly intangible item forms an integral part of an item of Property, Plant and Equipment.

## **PART 16 - CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE AND OTHER EXPENSES**

Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and commissioning costs.

## **PART 17 - MAINTENANCE PLANS**

Every head of department shall ensure that a maintenance/rehabilitation plan in respect of every new infrastructure asset with a value of R200 000 (two hundred thousand rand) or more is prepared and submitted to the Municipal Manager for approval.

If so, directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

The head of department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned, and if the asset was impaired to any extent.

## **PART 18 - DEFERRED MAINTENANCE**

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the Chief Financial Officer shall investigate the extent of and possible implications of such deferred maintenance, as well as any proposed by the applicable head of department in order to redress such deferral of the maintenance requirements concerned.

If no such plans have been formulated or are likely to be implemented, the Chief Financial Officer shall re-determine the useful operating life of the fixed asset in question, if necessary, in consultation with the head of department controlling or using such asset and shall recalculate the annual depreciation expenses accordingly.

## **PART 19 - GENERAL MAINTENANCE OF FIXED ASSETS**

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner, which will ensure that such assets attain their useful operating lives.

### ***Procedures and Rules***

- Senior Managers responsible for the control and utilization of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.
- Senior Managers shall ensure that the operating expenses are expended against the operating budget and not the capital budget.
- Senior Managers shall report to the Council annually of the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance.
- Senior Managers shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the infrastructure asset classes;
- Senior Managers shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired.

## **PART 20 - DEPRECIATION OF FIXED ASSETS**

All fixed assets, except land and heritage assets, shall be depreciated – or amortised in the case of intangible assets.

Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

Depreciation shall be calculated from the day in which a fixed asset is acquired or – in the case of construction works and plant and machinery – the month in which the fixed asset is brought into use, and thereafter, depreciation charges shall be calculated monthly.

Each head of department, acting in consultation with the Chief Financial Officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

#### **PART 21 - RATE OF DEPRECIATION**

The Chief Financial Officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life, the Chief Financial Officer shall adhere to the useful lives set out in the annexure to this policy (see part 33 below).

In the case of a fixed asset which is not listed in this annexure, the Chief Financial Officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

#### **PART 22 - METHOD OF DEPRECIATION**

Except in those cases specifically identified in part 23 below, the Chief Financial Officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

#### **PART 23 - AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS**

Paragraph 56 of GRAP 17 state that an entity shall assess at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3).

Only the Chief Financial Officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the Chief Financial Officer shall inform the Council of the municipality of such amendment.

The Chief Financial Officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be fully depreciated in the financial year in which such diminution in value occurs.

Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be fully depreciated in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

In all the foregoing instances, the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question.

If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be partially or fully depreciated, as the case may be, as though it were an ordinary

depreciable asset, and the department or vote controlling or using the fixed asset in question shall bear the full depreciation expenses concerned.

#### **PART 24 - ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC INSTANCES**

The Chief Financial Officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

The Chief Financial Officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the Municipal Manager to provide:

- estimates of statistical information required by the Chief Financial Officer to prepare estimates of depreciation expenses for each financial year; and
- actual statistical information, for each financial year.

The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the Chief Financial Officer.

Where the Chief Financial Officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding paragraph have been adhered to, the Chief Financial Officer shall inform the Council of the municipality of the decision in question.

#### **PART 25 - IMPAIRMENT OF ASSETS**

The Chief Financial Officer shall with the assistance of all heads of department review the carrying values (as defined in part 25) in respect of all fixed assets on an annual basis. Where the carrying value is less than the recoverable amount for an asset, such reduction shall be recorded as an Impairment loss against the operating account of the department concerned. The depreciation applicable to the asset concerned will thereafter be affected against the reduced carrying amount over the remaining estimated life of such asset.

#### **PART 26 - CARRYING VALUES OF FIXED ASSETS**

All fixed assets shall be carried in the fixed asset register and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation and accumulated impairment.

The only exceptions to this rule shall be revalued assets (see part 26 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

#### **PART 27 - REVALUATION OF FIXED ASSETS**

All land recorded in the municipality's fixed asset register shall be revalued with the adoption by the municipality of each new valuation roll (or, if the land concerned fall within the boundary of another municipality, with the adoption by such municipality of each new valuation roll).

The Chief Financial Officer shall adjust the carrying value of the land concerned to reflect in each instance the value of the fixed asset as recorded in the valuation roll, provided the Chief Financial Officer is satisfied that such value reflects the fair value of the fixed asset concerned.

The Chief Financial Officer shall also, where applicable, create a revaluation reserve for each such fixed asset equal to the difference between the value as recorded in the valuation roll and the carrying value of the fixed asset before the adjustment in question.

The Chief Financial Officer shall ensure that an amount equal to the difference between the new (enhanced) monthly depreciation expense and the depreciation expenses determined in respect of such fixed asset before the revaluation in question is transferred each month from the revaluation reserve to the municipality's appropriation account. An adjustment of the aggregate transfer shall be made at the end of each financial year, if necessary (see part 24 above).

If the amount recorded on the valuation roll is less than the carrying value of the fixed asset recorded in the fixed asset register, the Chief Financial Officer shall adjust the carrying value of such asset by increasing the accumulated depreciation of the fixed asset in question by an amount sufficient to adjust the carrying value to the value as recorded in the valuation roll. Such additional depreciation expenses shall form a charge, in the first instance, against the balance in any revaluation reserve previously created for such asset, and to the extent that such balance is insufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question.

Revalued land shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

#### **PART 28 - VERIFICATION OF FIXED ASSETS**

Every head of department shall at least once during every financial year, and in compliance with the relevant written directives issued by the Chief Financial Officer, undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

The directives issued by the Chief Financial Officer shall stipulate the date(s) when such verification shall be undertaken and completed, and such date(s) shall be as close as possible to the end of each financial year.

Every head of department shall promptly and fully report in writing to the Chief Financial Officer in the format determined by the Chief Financial Officer, all relevant results of such fixed asset verification, and the resultant report shall be submitted to the Chief Financial Officer not later than 30 June of the year in question.

#### **PART 29 - DISPOSAL OF FIXED ASSETS**

In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Every head of department shall report in writing to the Chief Financial Officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate. The Chief Financial Officer shall thereafter consolidate the requests received from the various departments and shall promptly report such consolidated information to the Municipal Manager, indicating the process of disposal to be adopted in accordance with municipality's supply chain management policy.

The Chief Financial Officer shall ensure that the disposal of any fixed asset with a carrying value equal to or in excess of R50 000 (fifty thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004 (see part 34 below).

Once the fixed assets are alienated, the Chief Financial Officer shall delete update the relevant records from the fixed asset register.

If the proceeds of the disposal are less than the carrying value recorded in the fixed asset register, such difference shall be recognised as a loss in the statement of performance of the department or vote concerned. If the proceeds of the disposal, on the other hand, are more than the carrying value of the fixed asset concerned, the difference shall be recognised as a gain in the statement of performance of the department or vote concerned.

All gains realized on the disposal of fixed assets shall remain as an income in the Statement of Comprehensive Income, and all losses on the disposal of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the disposal of the fixed assets of any department or vote, only the net gain (if any) on the disposal of such fixed assets shall be appropriated.

Transfer of fixed assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of disposal shall be by private treaty in accordance with Section 20 of the municipality's supply chain management policy.

The Chief Financial Officer shall in July of every year report to the Council of the municipality details of all fixed assets disposed of during the immediately preceding financial year.

#### **PART 30 - OTHER WRITE-OFFS OF FIXED ASSETS**

A fixed asset other than when disposed of in accordance with part 28 above, and even though fully depreciated, shall be written off by the Chief Financial Officer only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the Municipal Manager.

Every head of department shall report to the Chief Financial Officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The Chief Financial Officer shall consolidate all such reports and shall promptly submit a recommendation to the Council of the municipality on the fixed assets to be written off.

The only reasons for writing off fixed assets, other than the disposal of such fixed assets, shall be the loss, theft, and destruction or material impairment of the fixed asset in question.

In every instance where a not fully depreciated fixed asset is written off, the Chief Financial Officer shall immediately debit to such department or vote, as additional depreciation expenses, the full carrying value of the asset concerned (see also part 22).

#### **PART 31 - REPLACEMENT NORMS**

The Municipal Manager, in consultation with the Chief Financial Officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the Council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the replacement of fixed assets which are required for service delivery, but which have become uneconomical to maintain.

## **PART 32 - INSURANCE OF FIXED ASSETS**

The Chief Financial Officer shall ensure that all movable fixed assets are insured at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

The Chief Financial Officer shall annually determine the premiums payable by departments in respect of the assets under their control.

The Chief Financial Officer shall determine the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

The Chief Financial Officer shall annually submit a report to the Council of the municipality for approval on any insurance cover which it is deemed necessary to procure for the municipality's assets.

## **PART 33 - BIOLOGICAL ASSETS**

Accounting for biological assets shall take place in accordance with the requirements of GRAP 101.

The Chief Financial Officer, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs. Such valuation shall be undertaken by a recognised valuer in the line of the biological assets concerned.

Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as an operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the head of department concerned in exactly the same manner as though the asset were an ordinary fixed asset.

Records of the details of biological assets shall be kept in a separate section of the fixed assets register or in a separate accounting record altogether, and such details shall reflect the information which the Chief Financial Officer, in consultation with the head of department concerned and the internal auditor, deems necessary for accounting and control purposes.

The Chief Financial Officer shall annually insure the municipality's biological assets, in consultation with the head(s) of department concerned, provided the Council of the municipality considers such insurance desirable and affordable.



## ANNEXURE A: FIXED ASSET LIVES

The following is the list of assets, with the estimated useful life in years indicated.

### INFRASTRUCTURE ASSETS

#### Electrical Infrastructure

LV Networks	10 - 50
MV Networks	10 - 50
HV Switching Stations	10 - 50
HV Transmission Conductors	10 - 50
MV Switching Stations	10 - 50
Power Plants	10 - 50
HV Substations	10 - 50
MV Substations	10 - 50

#### Road Infrastructure

Roads	
- Gravel roads	10 – 50
- Concrete roads	10 – 50
- Asphalt surface roads	10 – 50
Road Structures	
- Bridges	20 – 80
- Causeways	20 – 80
- Subways	20 – 80
Road Furniture	
- Street signs	10 – 50
- Traffic lights	10 – 50
- Street Lights	10 – 50
- Street furniture	10 – 50
- Commuter shelters	10 – 50
- Guard rails	10 – 50
- Capital Spares	10 – 50

#### Water Supply Infrastructure

Distribution Points	20 - 60
Boreholes	20 - 100
Reservoirs	20 - 60
Bulk mains	20 - 60
Distribution	20 - 60
PRV Stations	20 - 60
Capital Spares	20 - 60
Dams and Weirs	20 - 120
Pump Stations	20 - 60
Water Treatment Works	20 - 60

#### Storm Water Infrastructure

Drainage Collection	10 - 50
Storm Water Conveyance	10 - 50
Attenuation	10 - 50

**Solid Waste Infrastructure**

Landfill Sites	10 - 50
Waste Transfer Stations	10 - 50
Waste Processing facilities	10 - 50
Waste Drop-off Points	10 - 50
Waste Separation Facilities	10 - 50
Electricity Generation Facilities	10 - 50
Capital Spares	10 - 50

**Sanitation Infrastructure**

Waste Water Treatment Works	15 - 50
Outfall Sewers	15 - 50
Pump Stations	15 - 50
Reticulation	15 - 50
Toilet Facilities	15 - 50

**COMMUNITY ASSETS**

Community Facilities	
- Halls	5 - 50
- Centres	5 - 50
- Creches	5 - 50
- Clinics or Care Centres	5 - 50
- Fire or Ambulance Stations	5 - 50
- Testing Stations	5 - 50
- Museums	5 - 50
- Galleries	5 - 50
- Theatres	5 - 50
- Libraries	5 - 50
- Cemeteries	5 - 50
- Police	5 - 50
- Parks	5 - 50
- Public Open Space	5 - 50
- Nature Reserves	5 - 50
- Public Ablution Facilities	5 - 50
- Markets	5 - 50
- Stalls	5 - 50
- Abattoirs	5 - 50
- Airports	5 - 50
- Taxi Ranks or Bus Terminals	5 - 50
Sports and Recreational Facilities	
- Indoor facilities	5 - 50
- Outdoor facilities	5 - 50

**HERITAGE ASSETS**

The following is a list of at least some typical heritage assets encountered in the municipal environment (no asset lives are given, of course, as no ordinary depreciation will be charged against such assets):

- Museum exhibits
- Works of art (which will include paintings and sculptures)
- Public statues
- Historical buildings or other historical structures (such as war memorials)

- Historical sites (for example, an Iron Age kiln, historical battle site or site of a historical settlement).

## INVESTMENT PROPERTY

It is not possible to provide an exhaustive list of Investment Property, as the actual list will depend very much on the local circumstances of each Municipality. However, the following will be among the most frequently encountered:

Office Parks (which have been developed by the Municipality itself or jointly between the Municipality and one or more other parties)	30
Shopping Centres (again, developed along similar lines)	30
Housing Development (that is, developments financed and managed by the Municipality itself, with the sole purpose of selling or letting such houses for profit)	30

## OTHER ASSETS

Operational Buildings	
- Depots	10 - 50
- Capital Spares	10 - 50
- Yards	10 - 50
- Building Plan Offices	10 - 50
- Manufacturing Plant	10 - 50
- Training Centres	10 - 50
- Laboratories	10 - 50
- Stores	10 - 50
- Workshops	10 - 50
- Pay or Enquiry points	10 - 50
- Municipal Offices	10 - 50
Housing	
- Staff Housing	10 - 50
- Capital Spares	10 - 50
- Social Housing	10 - 50

## INTANGIBLE ASSETS

Computer Software	3 - 10
Websites	3 - 10

## COMPUTER EQUIPMENT

Laptops	3 - 10
Desktops	3 - 10
Computer monitors	3 - 10
Computer towers	3 - 10
Computer keyboards	3 - 10
CPUs	3 - 10
Port switches	3 - 10

**FURNITURE AND OFFICE EQUIPMENT**

Wooden Filing Cabinet	2 - 15
Steel Filing Cabinets	2 - 15
Photocopiers	2 - 15
Printers	2 - 15
Binding Machines	2 - 15
Air conditioners	2 - 15
Chairs	2 - 15
Table and desks	2 - 15
Cupboards	2 - 15
Speakers	2 - 15
Notice Boards	2 - 15

**MACHINERY AND EQUIPMENT**

Household refuse bins	2 - 20
Bulk refuse containers	2 - 20
Fire Hoses	2 - 20
Other fire-fighting equipment	2 - 20
Emergency lights	2 - 20
Graders	2 - 20
Tractors	2 - 20
Mechanical horses	2 - 20
Farming Equipment	2 - 20
Lawn mowers	2 - 20
Compressors	2 - 20
Laboratory Equipment	2 - 20
Radio Equipment	2 - 20
Firearms	2 - 20
Telecommunication Equipment	2 - 20
Cable cars	2 - 20
Irrigation systems	2 - 20
Cremators	2 - 20
Lathes	2 - 20
Filling Equipment	2 - 20
Conveyors	2 - 20
Feeders	2 - 20
Tippers	2 - 20
Pulverizing mills	2 - 20
Camera	2 - 20
Television sets	2 - 20

**TRANSPORT ASSETS**

Ambulances	3 - 25
Fire engines	3 - 25
Buses	3 - 25
Trucks and light delivery vehicles	3 - 25
Ordinary motor vehicles	3 - 25
Motor cycles	3 - 25

**ANNEXURE B: PARAPHRASE OF SECTION 14 OF THE MUNICIPAL FINANCE MANAGEMENT ACT 2003**

A municipality may not alienate any capital asset required to provide a minimum level of basic municipal services.

A municipality may alienate any other capital asset, but provided

- Council, in a meeting open to the public, has first determined that the asset is not required to provide a minimum level of basic municipal services, and
- Council has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.